



Salaries & Remuneration
Commission
Rewarding productivity



REPUBLIC OF KENYA

PUBLIC SECTOR REMUNERATION AND BENEFITS POLICY

June 2015

First Edition

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TABLE OF CONTENTS

CHAPTER ONE

Introduction	1
1.1 Background and Rationale	1
1.2 Purpose and Scope of the Policy	2
1.3 Objectives of the Policy	2
1.4 Key Principles	3
1.5 Policy Development Process	4
1.6 Linkages with Stakeholders	4

CHAPTER TWO

Situational Analysis	5
2.1 Overview	5
2.2 Unsustainable Public Sector Wage Bill	5
2.3 Attraction and Retaining of Adequate Number of Competent Technical and Professional Personnel	6
2.4 Remuneration and Benefits Practices that do not Promote Productivity and Performance Improvement	6
2.5 Unfairness and Inequity in Remuneration Structures	7
2.6 Remuneration Systems do not Support Professional Development and Career Progression	7
2.7 Unfair, Inadequate and Unsustainable Retirement Benefits	7
2.8 Varied Interpretation of SRC Mandate	8
2.9 Remuneration System is Not Aligned to the National Development Strategy	8
2.10 Absence of a Shared National Philosophy on Remuneration and Benefits	9
2.11 Legal Challenges on Remuneration and Benefits	9

CHAPTER THREE

Policy Objectives and Strategies	10
3.1 Overview	10
3.2 Objective 1: To Achieve and Sustain Public Sector Wage Bill at an Affordable Level	10
3.3 Objective 2: To Achieve competitive Public Sector Remuneration and Benefits Packages	10
3.4 Objective 3: To Promote Equity and Fairness in the Public Sector Remuneration and Benefits System	11
3.5 Objective 4: To Restructure the Remuneration and Benefits System to Support Professional Development and Career Progression	11
3.6 Objective 5: To Achieve Full Transparency of Public Sector Remuneration and Benefits	12
3.7 Objective 6: To Achieve Fairness, Adequacy, Affordability and Sustainability in Retirement Benefits	12
3.8 Objective 7: To Promote Productivity and Performance Related Pay	13
3.9 Objective 8: To Institutionalize Procedures for Determination of Remuneration and Benefits Across the Public Sector	13
3.10 Objective 9: To Harmonise Existing Laws and Policies that Address Public Sector Remuneration and Benefits	13
3.11 Objective 10: Monitor and Evaluate Policy Implementation	14

CHAPTER FOUR

Implementation Framework	15
4.1 Institutional and Legal Framework	15
4.2 Monitoring and Evaluation	15
4.3 Transition Mechanism into the Policy Regime	15
4.4 Policy Review	15
4.5 Implementation Matrix	16

ABBREVIATIONS AND ACRONYMS

CASB	County Assembly Service Board
CBAs	Collective Bargaining Agreements
CoK	Constitution of Kenya
CPSB	County Public Service Board
FY	Financial Year
GDP	Gross Domestic Product
GOK	Government of Kenya
ICT	Information, Communication and Technology
IPPD	Integrated Personnel Payroll Database
JSC	Judicial Service Commission
KENAO	Kenya National Audit Office
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNUT	Kenya National Union of Teachers
MODP	Ministry of Devolution and Planning
NGOs	Non-Governmental Organization
PARLSCOM	Parliamentary Service Commission
PBP	Performance Based Pay
PCK	Productivity Centre of Kenya
PFM	Public Finance Management
PMS	Performance Management System
PPSRRB	Permanent Public Service Remuneration Review Board
PSC	Public Service Commission
PSCBCU	Public Sector Collective Bargaining Coordination Unit
PSOs	Public Sector Organizations
PSSSA	Public Service Superannuation Scheme Act
SCAC	State Corporations Advisory Committee
SRC	Salaries and Remuneration Commission
TNT	The National Treasury
TSC	Teachers Service Commission

DEFINITIONS OF SELECTED TERMS

Benefits generally refer to in-kind compensation, such as housing, leave, transportation, medical treatment, etc.

Non-state Officer as used in this document refers to, inter alia, those other employees in the Public Sector who are not in the category of a state officer, as defined above.

Pay constitutes all remuneration, allowances and other benefits paid to an employee. However, in common language, pay and remuneration are used interchangeably.

Public Sector refers to institutions and organisations that are predominantly funded from public resources, including the exchequer account(s) of the Government of Kenya. For avoidance of doubt, the Public Sector encompasses all arms of the Government and Government owned or predominantly controlled entities.

Public Sector Organisations: Includes institutions and organisations established and/or funded by public resources.

Public Service refers to the institutions and organisations in the Public Sector that have been established to support the functioning of the Government.

Remuneration compression ratio generally refers to the arithmetical computation of comparing the median wages of the highest compensated 10 per cent of employees in an organisation and the median wages of the lowest compensated 10 per cent of employees. There are, however, alternative approaches to calculation of a compression ratio, which is a summary statistic, not an actionable indicator (McCourt and Horscroft 2014). Therefore, the use of a particular method must be judicious.

Remuneration comprises monetary payments in form of salary and allowances. However, in common language, remuneration and salary are used interchangeably.

Service Commissions refers to the Parliamentary Service Commission, the Public Service Commission, the Judicial Service Commission, the National Police Service Commission, the Defence Council, and any similar current or future organisations established to manage specified cadres or occupational groups in the Public Sector. These include County Public Service Boards and County Assembly Service Boards.

State officer is defined in the Constitution of Kenya 2010 as those occupying the following offices: the President, Deputy President, Cabinet Secretary, Member of Parliament, Judges and Magistrates, member of a commission to which Chapter Fifteen applies, holder of an independent office to which Chapter Fifteen applies, member of a county assembly, governor or deputy governor of a county, or other member of the executive committee of a county government, Attorney-General, Director of Public Prosecutions, Secretary to the

Cabinet, Principal Secretary, Chief of the Kenya Defence Forces, commander of a service of the Kenya Defence Forces, Director-General of the National Intelligence Service, Inspector-General, and the Deputy Inspectors-General, of the National Police Service, or an office established and designated as a State office by national legislation (COK, 2010, p.297-298)

State Organs refers to Commission, office, agency or other body as established in the Constitution.

The Public Sector Wage Bill comprises: (i) the regular payroll expenditures such as: basic salary, house allowance, and all other allowances payable to public servants; and (ii) other personnel-related expenditures which are not paid on a regular basis, such as fees, commissions and honoraria, refund of medical expenses, and other compensation for benefits, which may be paid in-kind.

FOREWORD

Public service compensation before the promulgation of Constitution of Kenya 2010 was characterized by ad hoc interventions through appointed Commissions' and Committees' recommendations. There was no framework to guide the process, and this resulted into varying outcomes as guided by the respective terms of references. Accordingly, this disjointed method brought forth huge disparities in remuneration across various sectors as guided by organizations' ability to pay and subsequent wide inequalities in the payment for similar jobs in the public service.

Salaries and Remuneration Commission is established under Article 230 (1), Chapter Twelve of the Constitution of Kenya (COK, 2010) to set and regularly review the remuneration and benefits of all State Officers; and to advise the national and county governments on the remuneration and benefits of all other public officers. The execution of this mandate requires giving due consideration to the principles of fiscal sustainability; attraction and retention of necessary skill in the public sector; recognition of productivity and performance; transparency and fairness.

It was against this backdrop that the Commission set to develop an overarching policy that comprehensively guides the compensation for public officers. The main aim of this policy is to ensure that all public sector employees are fairly, equitably and transparently compensated for their labour while ensuring fiscal sustainability of the public wage bill. The development of this policy document commenced with the organization of policy framework which was later shaped by a team of technical experts from the Commission. Necessary Constitutional requirements were adhered to; this included the involvement of key stakeholders from both the National and County governments.

In this regard, I wish to extend my appreciation to all those who contributed to the development of this policy document. I thank the Commission staff and the Interagency Taskforce who under the able leadership of the Commission Secretary dedicated their time and effort towards the finalization of this document. The inputs of various stakeholders including Parliament, Senate, Judiciary, Government Ministries, Constitutional Commissions and Independent Offices, the County Public Service Boards, the County Assembly Service Boards and the Council of Governors, are acknowledged in equal measure.

Finally, I wish to express my gratitude to our country leadership led by the President, H.E. Hon. Uhuru Kenyatta and his Deputy, H.E. Hon. William Ruto for championing the national debate on the Public Sector Wage Bill and their unwavering support to the Commission.



Mrs. Sarah Serem, EBS
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SALARIES AND REMUNERATION COMMISSION

Introduction

1.1 Background and Rationale

Since independence, determination of wages, salaries and other remunerative benefits within the Public Sector in Kenya has been handled by different bodies whose actions have resulted to varying outcomes. Overall, these actions have led to disparities across sectors and even inequalities in pay for similar jobs in the public service. This is evident in the reports of the many Committees and Commissions appointed to review terms and conditions of service for public service employees. Among those past commissions and committees are those led by: Millar-Craig (1967), E. Vesey (1969), D. N. Ndegwa (1970-71), S. N. Waruhiu (1979-80), T. C. J. Ramtu (1985), S. H. Ominde (1988), P. M. Mbithi (1990-91), I. E. O. Okero (1992), W. O. Omamo (1995), P. M. Munene (1997), B. K. Kipkulei (1998-99) and H. Mule (2003-04).

In 2003, the Permanent Public Service and Remuneration Review Board (PPSRRB) was established to address the challenges emanating from different institutions determining remuneration and benefits across the Public Sector. The mandate of PPSRRB was to continuously review and harmonize remuneration in the entire public service. The PPSRRB however, could not effectively perform its mandate due to lack of legal backing.

To address the lack of a harmonized legal and institutional framework to govern remuneration and benefits within the public service, the Constitution of Kenya established the Salaries and Remuneration Commission. The Commission is vested with powers and functions to set and regularly review remuneration and benefits of all state officers and advise the National and County Governments on the remuneration and benefits of all other public officers. In addition, the Constitution under Article 230 (5) provides principles that guide the determination of remuneration and benefits. These are:

- (i) The need to ensure that the total public compensation bill is fiscally sustainable;
- (ii) The need to ensure that the public services are able to attract and retain the skills required to execute their functions;
- (iii) The need to recognize productivity and performance; and
- (iv) Transparency and fairness.

Since its establishment, SRC has undertaken a number of activities aimed at establishing a sustainable remuneration and benefits system. Key among these are: a professional and objective setting of a harmonized remuneration and benefits structure for State Officers; a comparative study of public-private sector wage differentials with the objective of ascertaining the labour market practises and market dynamics that may underlie the disparities in the Public Sector remuneration and benefits system and a study on allowances payable in the public sector undertaken with the objective of reviewing and harmonizing allowances payable in the public service. As a sequel to the other activities, and consistent with the four principles stipulated in the COK 2010, SRC has determined the need for a comprehensive Public Sector Remuneration and Benefits Policy, as presented herein.

1.2 Purpose and Scope of the Policy

This policy is informed by the need for a strategic approach to address challenges that continue to undermine the efficacy of the Public Sector remuneration and benefits system. The Government acknowledges the magnitude of the problems that are symptomatic of a dysfunctional system that cannot be effectively and sustainably addressed through reactive, ad hoc and piecemeal actions.

Thus, the overall purpose of this Policy is to guide the Government on how to achieve an effective remuneration and benefits system, where all public sector employees are satisfied that they are fairly, equitably and transparently compensated for their labour.

This policy covers all public and state officers and public sector organisations at both the National and County Governments.

1.3 Objectives of the Policy

The aim of this policy is to ensure that all public sector employees are fairly, equitably and transparently compensated for their labour while ensuring fiscal sustainability of the public wage bill. The broad objectives of the policy are:

- a) To promote a wage bill that is fiscally affordable and sustainable and aligned to the tenets of national development;
- b) To support Public Sector Employers to retain and attract highly competent technical and professional personnel;
- c) To realize an objectively verifiable, fully transparent, fair and equitable Public Sector remuneration and benefits system;
- d) To inculcate productivity and performance-related pay for Public Service employees and;

- e) To manage allowances and other fringe benefits in the remuneration package
- f) To provide standardised and consistent guidelines for remuneration and benefits determination across the public service.

1.4 Key Principles

The key principles that will guide the determination of Public Sector remuneration and benefits are primarily derived from the Constitution Article 230 (5). For purposes of this policy, seven key principles among others have been identified and elaborated below to guide the implementation of this policy:

- a) *Affordability and sustainability of the Public Sector wage bill:* This principle ensures that aggregate remuneration and benefits are within the realistically planned Public Sector resource envelope.
- b) *Competitiveness of the remuneration and benefits for the job competencies and responsibilities in the Public Sector:* This will ensure that the Public Sector can compete with the private sector and other sectors to attract and retain personnel with the requisite competencies.
- c) *Promoting productivity and performance:* The principle underscores the need to ensure that there are incentives for individual workers or teams of workers to actively pursue improvements in their productivity and performance at the place of work. Such incentives will provide rewards for public servants who perform beyond the set productivity and/or performance targets in terms of quantity, quality, efficiency, effectiveness and timeliness in completion of set tasks or workload.
- d) *Transparency:* The principle entails ensuring that information relating to remuneration and benefits is openly communicated and accessible to the public. This includes information regarding allowances that introduce hidden disparities in the remuneration and benefits system in the public sector.
- e) *Fairness:* The principle requires that compensation is awarded in an objective, justifiable and impartial manner that promotes equal pay for work of equal value.
- f) *Equity:* The principle recognises that personnel in similar job positions with similar skills and responsibilities are remunerated equitably.
- g) *Alignment to the national development goals:* The principle underscores the nexus of wage determination, competitiveness for investment, economic growth and employment creation.

1.5 Policy Development Process

In March 2014, the Government initiated a national debate on main and priority challenges of achieving affordability and sustainability of the public sector wage bill. The purpose of the debate was to facilitate nationwide participation and contribution of stakeholders and the general public on the development of this policy.

The development of this policy was informed by the need to have a strategic approach in pay determination in the public service. The policy was developed through an evidence based participatory process that covered both the National and County Government. An extensive consultative process with stakeholders was undertaken in order to build consensus on the contents of the policy.

The process was further enriched by participation of professional organizations, the three arms of Government and Trade Unions. The information obtained from these processes was consolidated into a policy framework source document from which this policy was drawn. The policy development process was also informed by various studies such as Study on Allowances payable in the Public Sector; Pensions in Payment Review Study and Study on Wage Differentials between the Private and Public Sector. The draft policy was subjected to stakeholders review.

1.6 Linkages with Stakeholders

The representative membership of the SRC, as provided in the Constitution underpins the importance of inclusivity in making policy decisions on Public Sector remuneration and benefits. Besides the representation, it is imperative that all stakeholders cooperate with the Commission in the discharge of its mandate. The complexity of remuneration and benefits determination requires collaborative efforts between SRC and National and County Government agencies.

The Policy takes cognisance of synergy, co-operation of the various roles that different institutions play in remuneration setting and dispute resolution in matters relating to remuneration and benefits.

Situational Analysis

2.1 Overview

Currently, the public sector is the largest employer in Kenya, distributed across the teaching service, civil service, state corporations, government agencies, constitutional commissions and the security organs. All these institutions use various processes of pay determination resulting in disparate remuneration structures in the public service. Kenya's total public sector expenditure on remuneration and benefits has critical fiscal implications on the national budget. Generally, the public sector has become the employer of choice for the employees at the top and bottom levels of the structure. Further, performance and productivity have not been adequately addressed as well as existence of disparities in the remuneration structures. Finally, there is absence of a shared philosophy on the remuneration and benefits.

To establish the obtaining situation on remuneration and benefits in the public sector, SRC commissioned a study on wage differentials (2013) and another study on allowances (2014). The findings of these studies revealed, amongst others, the following challenges which this policy seeks to address.

2.2 Unsustainable Public Sector Wage Bill

In the past few years, there has emerged a broad consensus that Kenya faces a serious fiscal crisis caused by a rapid growth of the Public Sector wage bill. The problem has been highlighted in the Government's annual budget and various economic reviews.

The Public Sector wage bill as a percentage of GDP is high when compared to international benchmarks. Kenya's public sector wage bill to GDP ratio in FY 2013/14 was 12.6% compared to the average ratio of about 9.5% for countries in Africa, 7% for low income countries, and 8.5% for middle income countries. The growth of the wage bill has in recent years exceeded both the rate of growth of nominal GDP and in the numbers of public servants. The annual growth rate in the Public Sector wage bill has been an average of about 20.9% over the past 3 years from FY 2011/2012 while the growth in Nominal GDP has been 17% on average.

The consequence of the Public Sector wage bill includes:

- a) Crowding out resources that could be used in other development priorities, such as social and infrastructure development programmes and projects that are needed for long term growth and development;
- b) Large fiscal deficits, which contribute to macroeconomic instability (inflation wage-price spiral, exchange rate impact);
- c) Unsustainable public debt associated with a high wage bill. This public debt scenario has attendant refinancing and sovereign risks; and
- d) Loss of competitiveness of the economy which ultimately impacts negatively on growth and employment.

2.3 Attraction and Retaining of Adequate Number of Competent Technical and Professional Personnel

A study commissioned by SRC on wage differentials in 2013 established that Public Service pay is competitive for state officers', public servants in senior grades and at the bottom job groups of unskilled and semi-skilled workers. Although the Public Sector has become the employer of choice for the employees at the top and at the bottom of the remuneration and benefits structures, there is however, a challenge of attraction and retention of adequate numbers of competent technical and professional personnel in some sectors of the Public Service. In addition, there are parts of the country where there are challenges of deployment, attraction and retention of public servants due to the risks of personal safety and poor living conditions. This situation has compromised service delivery in the country.

2.4 Remuneration and Benefits Practices that do not Promote Productivity and Performance Improvement

In pursuit of the goal of performance improvement within the public sector, the Government adopted a private sector approach in management to improve public service delivery. In this quest, the government introduced performance contracting not only to improve service delivery but also to refocus the mind-set of public service towards a culture of business focused on customer and results.

The performance contracting system that was introduced has however been faced with challenges such as low acceptability by some public officers, resistance to change and ineffective implementation of the system. The Government however, still recognises the need to measure productivity and reward performance as provided in the Constitution.

2.5 Unfairness and Inequity in Remuneration Structures

Disparities in salaries, allowances and other benefits enjoyed by employees with comparable competencies and workloads (work of equal value) are common within the same departments and State Organs, across sectors and sub-sectors, and even across the different arms of Government. These disparities are as a result of a fragmented salary and benefits structure, minimal harmonisation of salary structures and uncoordinated salary and benefit reviews.

Further, State Organs have over the years introduced a plethora of allowances and benefits without due regard to what is existing in the larger public service. This has been a major contributor to the current disparities in remuneration packages within the public service and the huge wage bill in the public sector. Additionally, the situation has perpetuated the persistent agitation for parity treatment.

2.6 Remuneration Systems do not Support Professional Development and Career Progression

Historically, professional development and career progression of public servants have been anchored on management of schemes of service. An employee received training primarily to meet the conditions for promotion under the scheme of service, and upon attainment of the paper qualifications and stipulated years of experience in job grade, there was automatic promotion and pay rise. Productivity and performance on the job got minimal consideration. Furthermore, due attention has not been paid to professional development as training has increasingly been administered as a reward. Moreover, a lengthy career path anchored on the current job grading and salary structure discourages retention of professionals in the Public Service and leads to low morale and reduced productivity.

2.7 Unfair, Inadequate and Unsustainable Retirement Benefits

Gratuity and pension benefits for teachers, civil servants and uniformed personnel are currently operated under an unfunded non-contributory defined benefit plan in the Pensions Act Cap 189. The inadequacy of the unfunded scheme has been documented by several successive Public Service review commissions/committees over the past four decades. The Government however, introduced a contributory scheme in 2012 through the Public Sector Superannuation Scheme Act 2012, which is yet to be operationalised. The contributory scheme is aimed at managing the soaring pension liabilities already growing in the unfunded Defined Benefits Scheme.

Some State Organs operate different pension scheme designs with varying contribution rates thereby resulting in disparate pensions in payment for staff in the public service after retirement. It is also noted that some State Organs operate both gratuity and pensions benefits at the same time for the same employee without due regard to the best practice in public service.

There has been an attempt to address the problem of low pension (in payment) benefits following the 2005 Pension Increase Act (Chapter 190 of the Laws of Kenya). Further, in 2014, an independent professional review undertaken by SRC, confirmed the general inadequacy of the pension benefits and recommended, among other measures, a one-off increase to existing pensioners. In addition, the review recommended a revised pension increase policy with increases over and above those provided for in the Pension Increase Act (Cap 190) and target pension increases of up to 50% of inflation for pensions in payment once every three years. Meanwhile, the overall level of Government pension expenditure has increased significantly in the last two decades and is even projected to grow further as pension liabilities mature.

2.8 Varied Interpretation of SRC Mandate

The SRC's mandate is provided in the Constitution of Kenya, 2010 and the Salaries and Remuneration Act, 2011. However, there has been varied interpretation on the advisory role. This has given rise to arguments about the binding nature of the SRC's advice as provided under Article 259 (11) and at what point the advice should be sought.

2.9 Remuneration System is not Aligned to the National Development Strategy

Public sector wage policies are instrumental in pursuit of employment creation, industrialisation and poverty reduction. They also influence private sector investment and employment creation in two ways. In the first instance, high public spending crowds out the private sector from accessing investment resources. Similarly, high Public Sector wages lead to a push for higher wages in the private sector, thus undermining the global competitiveness of the national economy especially for labour intensive industries.

The continuous agitation for higher wages has pushed the Government to reallocate resources meant for national development towards paying wages. This has reduced the development expenditure to below the required statutory 30% of the total national budget. As a result, the national development agenda has been compromised.

2.10 Absence of a Shared National Philosophy on Remuneration and Benefits

The Kenya Vision 2030 serves the purpose of a national development philosophy both in design and implementation, but it has not effectively addressed the issues of public sector wage management. In the absence of a common understanding of wage management, three high risks emanate. These are: neither the public nor the national leadership are ready to make trade-offs in pursuit of long term national strategic goals; the Public Service employees that have large numbers and are organised to exercise political influence can persuade national political leaders to make policy decisions in their favour; and political leaders can use Public Service pay decisions as an instrument of patronage and vote-influencing. In such a political environment, it is unlikely that an efficacious Public Sector remuneration and benefits system can be sustained.

2.11 Legal Challenges on Remuneration and Benefits

There are a number of existing laws that are not in harmony with the Constitution of Kenya 2010 and the Salaries and Remuneration Act 2011. The lack of harmony impedes the management of remuneration and benefits in the public sector.

Policy Objectives and Strategies

3.1 Overview

In response to the issues discussed in the earlier chapters, the following policy objectives and strategies have been identified. These policy objectives should be achieved in the medium term.

3.2 Objective 1: To Achieve and Sustain Public Sector Wage Bill at an Affordable Level

The Public Finance Management Act (2012) outlines that the national and county government's expenditure on wages and benefits for public officers shall not exceed a certain percentage of the national and county government revenue as prescribed by law from time to time.

Strategies

- a) Ensure wage bill to Revenue ratio does not exceed the rate set by PFM Act and the regulations thereunder;
- b) Ensure compliance to advice given on remuneration and benefits;
- c) Undertake a remuneration review every four (4) years ;
- d) Integrate current public payroll systems into a centralised payroll system;
- e) Rationalise public sector functions to maintain optimal staffing levels;
- f) Harmonise remuneration and benefits for cadres or occupations for all State Organs; and
- g) Assess the likely budgetary impact on the changes in remuneration.

3.3 Objective 2: To achieve Competitive Public Sector Remuneration and Benefits Packages

This policy objective will be pursued so that every State Organ can, on a needs-basis, attract and retain highly skilled and/or scarce technical and professional workers.

Strategies

- a) Prioritise remuneration reviews for occupations and cadres where there is difficulty in attracting and retaining requisite skills;

- b) Undertake a job evaluation periodically for the purposes of reviewing the remuneration and benefits packages;
- c) Develop special remuneration and facilitative benefits schemes or programmes to attract and retain personnel; and
- d) Develop incentive schemes to attract and retain personnel in the hardship areas.

3.4 Objective 3: To Promote Equity and Fairness in the Public Sector Remuneration and Benefits System

In the medium to long term, job evaluation and re-grading, or similar techniques, will be applied to objectively ascertain that the Public Sector jobs' re-grading and remuneration structure(s) accord equal compensation for work of equal value. This will address horizontal and vertical pay differentials by: carrying out objective job specifications, workload analysis, consideration of unique work place conditions, and the labour market value of the jobholders' competencies. The Government will endeavour to ensure that total remuneration offered for a position requiring a particular level of skills and abilities is equally competitive across the various positions for which this skill level is needed in different organizations.

Strategies

- a) Develop remuneration bands based on job evaluation to ensure parity and fairness across the employee categories;
- b) Freeze the growth in remuneration and benefits levels of employees who are already earning disproportionately high salaries until realignment is done;
- c) Pursue a progressive and sustained reduction in the gross remuneration compression ratio;
- d) Monitor and maintain the remuneration differentials between adjacent salary grades to a maximum of 20% or any other professionally determined level.
- e) Harmonize allowances and benefits across the entire public sector;
- f) Abolish allowances that overlap with the purpose of paying salary or have no rationale for existence; and
- g) Ensure pensionable pay shall be basic salary excluding allowances.

3.5 Objective 4: To Restructure the Remuneration and Benefits System to Support Professional Development and Career Progression

The remuneration system shall support professional and career progression that enables a work force that is motivated to contribute to national output.

Strategies

- a) Develop and implement reforms that improve human resources management; and
- b) Develop a remuneration system that supports professional development.

3.6 Objective 5: To Achieve Full Transparency of Public Sector Remuneration and Benefits

The use of non-remuneration benefits in the public service compensation system will be minimized by consolidating remunerative allowances into the basic salary. The rationalization of the compensation structure will contribute to improved transparency of the compensation system and ease salary administration and facilitate improved wage bill management. Consequently, all allowances payable to be stated in absolute figures and not as a percentage of the salary.

Strategies

- a) Enforcement of full disclosure of remuneration and benefits;
- b) Review of occupational jobs-related allowances and publicize; and
- c) Publicize decisions regarding remuneration and benefits.

3.7 Objective 6: To Achieve Fairness, Adequacy, Affordability and Sustainability in Retirement Benefits

The Government will ensure fairness and equity in the retirement benefits across the Public Sector. This will ensure that there is equity in funding scheme benefits between the employer and employees of State Organs.

Strategies

- a) All public sector employers shall establish and operationalize a defined contributory pension scheme;
- b) Operationalize the Public Service Superannuation Act 2012;
- c) Develop guidelines specifying the rates of contribution to pension schemes and the rate gratuity;
- d) Ensure no public officer is paid a pension and a gratuity for the same period of service and same public service; and
- e) Develop mechanisms to maintain the public sector pension expenditure to 1.5% of GDP.

3.8 Objective 7: To Promote Productivity and Performance Related Pay

Given the major technical and organizational culture challenges in the implementation of productivity and performance related pay, a cautious approach will be adopted.

Strategies

- a) Develop and review a harmonized rewards and sanctions frameworks;
- b) Promote implementation of productivity and performance related pay schemes; and
- c) Provide productivity targets, among other variables and assessments to guide CBAs.

3.9 Objective 8: To Institutionalize Procedures for Determination of Remuneration and Benefits Across the Public Sector

To address the hitherto un-coordinated pay determination system, which has led to disparities in the remuneration structures, there is need to provide comprehensive procedures for pay determination and enhance consultations and collaboration among relevant stakeholders.

Strategies

- a) Review the terms developed by the service commissions and other employer organisations to ensure that the remuneration and benefits elements contained therein are in line with policy objectives;
- b) Provide guidance to employers on job evaluation for purposes of remuneration;
- c) Provide for procedures for advice to employers on remuneration and benefits; and
- d) Provide negotiation parameters and advise employers on remuneration and benefits under Collective Bargaining Agreements.

3.10 Objective 9: To Harmonise Existing Laws and Policies that Address Public Sector Remuneration and Benefits

There is need to harmonise the existing laws and policies and strengthen the legal framework for public sector remuneration and benefits.

Strategies

- a) Conduct a review of laws and policies that affect public sector remuneration and benefits;
- b) Generate bills necessary to implement a sound public remuneration and benefits system.

3.11. Objective 10: Monitor and Evaluate Policy Implementation.

There is need to monitor progress in the implementation of this policy. This calls for a monitoring and evaluation framework to be developed and implemented.

Strategy

- a) Institutionalize an M&E secretariat to foresee implementation, monitoring and evaluation of the policy.

CHAPTER FOUR

Implementation Framework

4.1 Institutional and Legal Framework

The Government is committed to ensuring that the public service attracts and retains requisite skills required for effective public service delivery. The Constitution mandates SRC to set and regularly review remuneration and benefits for state officers and provide advice to National and County governments on the remuneration and benefits for other public officers. In view of this, SRC will collaborate with other relevant stakeholders to implement this policy.

To give effect to this policy, a legislative framework will be developed to streamline, harmonise and institutionalise mechanisms and procedures for determination, management and regulation of remuneration and benefits for public sector organisations.

4.2 Monitoring and Evaluation

A monitoring and evaluation framework will be developed to evaluate the progress made in the implementation of this policy. Annual monitoring and evaluation report will be prepared and shared with all stakeholders on the implementation progress.

4.3 Transition Mechanism into the Policy Regime

Existing guidelines, regulations and circulars on public sector remuneration and benefits will remain in force and shall be revised to conform to this policy. New guidelines shall be issued by implementing institutions as and when need arises to operationalize this policy. Such guidelines shall take into consideration the principles of this policy.

4.4 Policy Review

This policy will be reviewed every five years or any other period as shall be determined by SRC in conjunction with other service commissions.

4.5 Implementation Matrix

Objective	Strategies	Indicators	Actors	Time Frame
1. To achieve and sustain Public Sector wage bill at an affordable level	1.1 Ensure wage bill to Revenue ratio does not exceed the rate set by PFM Act and the regulations thereunder	% change in wage bill as a ratio of revenue	National Treasury	Continuous
	1.2 Ensure compliance to advice given on remuneration and benefits	Level of Compliance	Salary and Remuneration Commission	Continuous
	1.3 Undertake a remuneration review every four (4) years review	Review reports	Salary and Remuneration Commission; National Treasury	Periodic
	1.4 Integrate current public payroll systems into a centralised payroll system	Number of Payroll systems integrated into the centralized system	National Treasury, Ministry of Devolution and Planning	2018
	1.5 Rationalise public sector functions to maintain optimal staffing levels	Change in Staffing Level	Service Commissions	2017
	1.6 Harmonise remuneration and benefits for cadres or occupations for all State organs	A harmonised remuneration and benefit structure	Salary and Remuneration Commissions	2017
	1.7 Assess the likely budgetary impact on the changes in remuneration	Changes on budgetary allocations in remuneration	Salary and Remuneration Commission	Continuous
2. To achieve competitive Public Sector remuneration and benefits packages	Prioritise remuneration reviews for occupations and cadres where there is difficulty in attracting and retaining requisite skills	Reviews Reports	Salary and Remuneration Commission; Other Commission	Continuous

Objective	Strategies	Indicators	Actors	Time Frame
2.2	Undertake job evaluation periodically for the purposes of reviewing the remuneration and benefits packages	Job Evaluation Reports Remuneration and benefits packages	Salary and Remuneration Commission; Other Service Commission	Periodic
	Develop special remuneration and facilitative benefits schemes or programmes to attract and retain personnel	Special Remuneration Structure Staff turnover/ Staffing trends	Salary and Remuneration Commission; Other Service Commissions	Continuous
	Develop incentive schemes to attract and retain personnel in the hardship areas	Incentive Schemes, Staff turnover/ Staffing trends	Service Commissions	Continuous
	Develop remuneration bands based on job evaluation to ensure parity and fairness across the employee categories	Remuneration Bands Report	Salary and Remuneration Commission; Service Commissions	2017
3. To promote fairness in the Public Sector remuneration and benefits system	Freeze the growth in remuneration and benefits levels of employees who are already earning disproportionately high until realigned	Remuneration Levels Report, No. of staff whose salary are frozen/ Realigned salaries	Salary and Remuneration Commission; National Treasury; Other Service Commissions	2018
	Pursue a progressive and sustained reduction in the gross remuneration compression ratio	Changes in Compression Ratio (40:1)	Service Commissions	2020
	Monitor and maintain reasonable remuneration differentials between adjacent salary grades to a maximum of 20% or any other professionally determined level	Monitoring Reports; remuneration differentials	Salary and Remuneration Commission; Other Service Commissions	Continuous

Objective	Strategies	Indicators	Actors	Time Frame
3.5	Harmonize allowances and benefits across the entire public sector	Harmonised allowances	Salary and Remuneration Commission; Other Service Commissions	2016
	Abolish allowances that overlap with the purpose of paying salary or have no rationale for existence	Standardized allowances level of compliance	Salary and Remuneration Commission; Other Service Commissions	2016
	Ensure pensionable pay shall be basic salary excluding allowances	level of compliance	Service Commissions	2017
4. To restructure the remuneration and benefits system to support professional development and career progression	4.1 Develop and implement reforms that improve human resources management (HRM)	HRM reform Reports, Capacity related reforms No. of staff involved	Service Commissions	Continuous
	4.2 Develop a Remuneration system to support professional development	Remuneration system, Professional staff turnover, staff participation in professional courses	Salary and Remuneration Commission; Service Commissions	2017
5. To achieve full transparency of Public Sector remuneration and benefits	5.1 Enforcement of full disclosure of remuneration and benefits	Compliance Report Level of compliance	Salary and Remuneration Commission	Continuous
	5.2 Review occupational jobs-related allowances and publicize	Annual remuneration and benefits report, Changes in job related allowances	Salary and Remuneration Commission	Continuous
	5.3 Publicize decisions regarding remuneration and benefits	Published Remuneration and Benefits information	Salary and Remuneration Commission; State Organs	Continuous

Objective	Strategies	Indicators	Actors	Time Frame	
6. To achieve fairness adequacy, affordability and sustainability in retirement benefits	6.1 Public sector employers shall establish and operationalize a defined contributory pension scheme	Defined contributory benefit schemes	Salary and Remuneration Commission; National Treasury; Other Service Commissions	2017	
	6.2 Operationalize the Public Service Superannuation Act 2012	Implementation status	Public Service Commission; The National Treasury	2017	
	6.3 Develop guidelines specifying the rates of contribution to pension schemes and the rate gratuity	Pension Contribution Guidelines			
	6.4 Ensure no public officer is paid a pension and a gratuity for the same period of service and by same public service	Compliance Report, level of compliance	Salary and Remuneration Commission; National treasury		Continuous
	6.5 Develop mechanisms to maintain the public sector pension expenditure to 1.5% of GDP	Public Expenditure Report; % change in pension expenditure as a ratio of GDP	National Treasury		Continuous
7. To promote productivity and performance related pay	7.1 Develop and review a harmonized rewards and sanctions framework	Performance Contracts, performance rating	Ministry of Devolution and Planning; Public Service Commission; Service Commissions	2016	
	7.2 Promote implementation of productivity and performance related pay schemes	Reward and Sanction policy, Performance ratings	Service Commissions; Salary and Remuneration Commission	2016	
	7.3 Provide productivity targets, among other variables and assessments to guide CBAs	Productivity indices	Salary and Remuneration Commission; Public Service Commission; Ministry of Devolution and Planning; Productivity Centre of Kenya;	2017	

Objective	Strategies	Indicators	Actors	Time Frame
8. To institutionalize procedures for determination of remuneration and benefits across the Public Sector	8.1 Ensure terms developed by service commissions and other employer organisations are in line with policy objectives	Compliance reports, level of compliance	Salary and Remuneration Commission; State Organs, Ministry of Devolution and Planning	Continuous
	8.2 Provide guidance to employers on job evaluation for purposes of remuneration	Job Evaluation Guidelines, Implementation status	Salary and Remuneration Commission; State Organs	2016
	8.3 Provide for procedures for advice to employers on remuneration and benefits	Guidelines issued	Salary and Remuneration Commission	Continuous
	8.4 Provide negotiation parameters and advise employers on remuneration and benefits under Collective Bargaining Agreements	Negotiation Parameters	Salary and Remuneration Commission	2016
9. To harmonise existing laws and policies that address Public Sector remuneration and benefits	9.1 Conduct a review of laws and policies that affect public sector remuneration and benefits	Report Amendment bills	Salary and Remuneration Commission; Kenya Law Reform Commission; and State organs	2018
	9.2 Generate bills necessary to implement a sound public remuneration and benefits system	Draft Bills	Salary and Remuneration Commission; Kenya Law Reform Commission; and State organs	2018
10. Monitor and evaluate policy implementation	10.1 Institutionalize an M&E secretariat to foresee implementation, monitoring and evaluation of the policy	Implementation status M&E reports	Interagency secretariat	Continuous



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